



December 19, 2008

Mr. Dane Gillette  
Chief Assistant Attorney General  
California Department of Justice  
Criminal Law Division  
1300 I Street  
Sacramento, CA 95814

Dear Mr. Gillette:

**Final Audit Report: California Department of Justice, High Technology Theft  
Apprehension Program, Deputy Attorney General—Identity Theft Support Grant Award  
HD06069504**

Enclosed is the final report on our audit of the California Department of Justice's (DOJ) High Technology Theft Apprehension Program, Deputy Attorney General—Identity Theft Support Grant Award HD06069504 for the period July 1, 2006 through June 30, 2007. The audit was performed under an interagency agreement between DOJ and the Department of Finance, Office of State Audits and Evaluations (Finance).

Our audit included a review of grant revenue and expenditures, internal control, and compliance with grant award provisions. We found that DOJ's revenue and expenditures for the grant award were fairly stated. Because our audit identified no findings, we are issuing this report as final. In accordance with Finance's policy of increased transparency, this report will also be placed on the Finance website.

We appreciate the assistance and cooperation of DOJ staff during our audit. If you have any questions regarding this report, please contact Mary Kelly, Manager, at (916) 322-2985.

Sincerely,

*Original signed by:*

David Botelho, Chief  
Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. James Humes, Chief Deputy Attorney General, Office of the Attorney General  
Mr. Andy Kraus, Director, Office of Program Review and Audits, California Department of Justice  
Ms. Sue Johnsrud, Director, Division of Administrative Support, California Department of Justice  
Ms. Laurie Denny, Program Manager, Criminal Division, California Department of Justice  
Ms. Deborah Merrill, Accounting Office, California Department of Justice  
Mr. Kirby Everhart, Chief, Crime and Gangs Branch, Governor's Office of Emergency Services

A GRANT AUDIT

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California Department of Justice  
High Technology Theft Apprehension Program  
Deputy Attorney General—Identity Theft Support  
Grant Award HD06069504  
For the Period July 1, 2006  
through June 30, 2007

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

#### **MEMBERS OF THE AUDIT TEAM**

Mary Kelly, CPA, CGFM  
Manager

Dennis Mehl  
Supervisor

#### **Staff**

Dennis Williams

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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The Department of Finance, Office of State Audits and Evaluations (Finance), performed this grant audit under an interagency agreement with the California Department of Justice (DOJ). The purpose of this audit was to determine whether DOJ complied with the Governor's Office of Emergency Services' (OES), High Technology Theft Apprehension Program, Deputy Attorney General—Identity Theft Support Grant Award HD06069504.

The audit objectives were as follows:

- To determine whether DOJ appropriately used state grant funds as intended and specified in the grant award.
- To determine whether DOJ's internal control allows for the accurate and timely development of accounting data needed to produce the *Statement of Budgeted, Claimed, and Allowed Expenditures*.
- To verify DOJ's compliance with applicable laws, regulations, and contract requirements.
- To provide, as necessary, recommendations regarding the eligibility of funding and improving internal control.

This report is intended for the information and use of DOJ and OES management and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.



## INDEPENDENT AUDITOR'S REPORT

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Mr. Dane Gillette  
Chief Assistant Attorney General  
California Department of Justice  
Criminal Law Division  
1300 I Street  
Sacramento, CA 95814

We have audited the accompanying *Statement of Budgeted, Claimed, and Allowed Expenditures* (Statement) of the California Department of Justice (DOJ), in accordance with the Office of Emergency Service's (OES) grant award HD06069504 for the period July 1, 2006 through June 30, 2007. The Statement was prepared from DOJ's records and is the responsibility of DOJ management. Our responsibility is to express an opinion on the Statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In connection with our audit, there are certain disclosures required by *Government Auditing Standards*. The Department of Finance (Finance) is not independent of the audited entity, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

The accompanying Statement was prepared, as described in Note 1, for the purpose of determining DOJ's fiscal compliance with the requirements of grant award HD06069504. The Statement is not intended to be a presentation of DOJ's total revenue and expenditures.

In our opinion, the Statement referred to presents fairly in all material respects, the budgeted, claimed, and allowed grant award HD06069504 for the period of July 1, 2006 through June 30, 2007, in conformity with accounting principles generally accepted in the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered DOJ's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects management or the employees' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of DOJ's financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance

As part of obtaining reasonable assurance about whether DOJ's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of DOJ management, those charged with governance, and the Legislature, and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Original signed by:*

Janet I. Rosman, CPA  
Assistant Chief, Office of State Audits and Evaluations  
(916) 322-2985

December 18, 2008



# STATEMENT OF BUDGETED, CLAIMED, AND ALLOWED EXPENDITURES

**California Department of Justice  
High Technology Theft Apprehension Program  
Deputy Attorney General—Identity Theft Support  
Grant Award HD06069504  
For the Period July 1, 2006 through June 30, 2007**

	<u>Budgeted</u>	<u>Claimed</u>	<u>Allowed Amounts*</u>	<u>Questioned Amounts</u>
<b>Grant Funds</b>				
Personal Services	\$382,351	\$320,857	\$320,857	\$ 0
Operating Expense	<u>61,472</u>	<u>56,123</u>	<u>56,123</u>	<u>0</u>
Total Grant Funds	\$443,823	\$376,980	\$376,980	\$ 0
<b>Cash Match (Note 2)</b>				
Personal Services	\$ 95,588	\$ 80,214	\$ 80,214	\$ 0
Operating Expense	<u>15,368</u>	<u>14,032</u>	<u>14,032</u>	<u>0</u>
Total Match Funds	<u>\$110,956</u>	<u>\$ 94,246</u>	<u>\$ 94,246</u>	<u>\$ 0</u>
Total Grant	<u>\$554,779</u>	<u>\$471,226</u>	<u>\$471,226</u>	<u>\$ 0</u>

\* Allowed amounts are based on the results of audit tests.

The accompanying notes are an integral part of this statement.

# NOTES TO THE STATEMENT OF BUDGETED, CLAIMED, AND ALLOWED EXPENDITURES

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**California Department of Justice  
High Technology Theft Apprehension Program  
Deputy Attorney General—Identity Theft Support  
Grant Award HD06069504  
For the Period July 1, 2006 through June 30, 2007**

**NOTE 1      Summary of Significant Accounting Policies**

**A. Definition of the Reporting Entity**

The constitutional office of the Attorney General, as chief law officer of the state, has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the California Department of Justice (DOJ).

DOJ is responsible for providing skillful and efficient legal services on behalf of the people of California. The Attorney General represents the people in all matters before the Appellate and Supreme Courts of California and the United States; serves as legal counsel to state officers, boards, commissions, and departments; represents the people in actions to protect the environment and to enforce consumer, antitrust, and civil rights laws; and assists district attorneys in the administration of justice.

DOJ also coordinates efforts to address the statewide narcotic enforcement problem; assists local law enforcement in the investigation and analysis of crimes; provides person and property identification and information services to criminal justice agencies; supports the telecommunication and data processing needs of the California criminal justice community; and pursues projects designed to protect the people of California from fraudulent, unfair, and illegal acts.

**B. Program Information**

The Governor's Office of Emergency Services awarded DOJ a \$443,823 grant for the period July 1, 2006 to June 30, 2007. This grant provides funding for DOJ's High Technology Theft Apprehension and Identity Theft Support program. The program is administered by the Special Crimes Unit, which is part of DOJ's Criminal Division. The program consists of five Deputy Attorney Generals (DAGs) that provide state-wide educational and prosecution services to the five task forces: (1) Northern California

Computer Crimes Task Force, (2) Sacramento Valley Hi-Tech Crimes Task Force, (3) Rapid Enforcement Allied Computer Team, (4) Southern California High Tech Task, and (5) Computer and Technology Crime High Tech Response Team. The DAGs provide similar services to rural areas within California not served by the five task forces. The DAGs addresses state agency inquiries and facilitates out-of-state identity theft related law enforcement investigative inquiries. The program also provides a Special Agent to assist the DAGs with investigational support.

C. Basis of Presentation

We prepared the *Statement of Budgeted, Claimed, and Allowed Expenditures* (Statement) from DOJ's accounts and financial transactions. The Statement summarizes DOJ's expenditures pertaining to the grant award. The Statement is not intended to represent all of DOJ's expenditures, and summarizes DOJ's transactions pertaining to grant award HD06069504 only.

D. Basis of Accounting

DOJ's accounts are maintained on a modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

**NOTE 2      Matching Fund Requirements**

The grant award requires DOJ to provide matching funds equal to 25 percent of the grant award. Accordingly, DOJ agreed to provide a cash match of \$110,956. However, since DOJ did not request reimbursement for the total grant award, it reduced the matching funds proportionately to the amount of the claimed costs. As a result, DOJ claimed \$94,246 in matching funds for the grant period July 1, 2006 through June 30, 2007.